Decision ____________________

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking on the Commission's Proposed Policies and Programs Governing Low-Income Assistance Programs.	Rulemaking 01-08-027 (Filed August 23, 2001)

INTERIM DECISION: STATUS OF RAPID DEPLOYMENT, CARE PENETRATION GOALS, AUTOMATIC ENROLLMENT AND RELATED PROGRAM PLANNING ISSUES

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Attachment 8 Preliminary Annual Cost Estimates for Automatic Enrollment

INTERIM DECISION: STATUS OF RAPID DEPLOYMENT, CARE PENETRATION GOALS, AUTOMATIC ENROLLMENT AND RELATED PROGRAM PLANNING ISSUES

1. Summary[1]

By Decision (D.) 01-05-033, issued on May 3, 2001, we adopted a rapid deployment strategy for the low-income assistance programs administered by Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), Southern California Edison Company (SCE) and Southern California Gas Company (SoCal). Low-income assistance programs consist of direct weatherization and energy efficiency services under the Low-Income Energy Efficiency (LIEE) programs and rate assistance under California Alternative Rates For Energy (CARE). In addition to providing increased funding for CARE and LIEE program activities, D.01-05-033 authorized the following: expanded use of LIEE funds to leverage the programs provided through the Department of Community Services and Development's (DCSD) network of community-based organizations, "capitation fees" to low-income assistance organizations of up to $12 per CARE enrollee, increased non-English radio and print advertising for CARE and new LIEE measures on a pilot basis (e g., high efficiency air conditioners and water heaters).

We find that the rapid deployment strategy adopted in D.01-05-033 has been successful in substantially increasing the deployment of low-income assistance services to those that have needed it the most during the energy crisis. As of February 2002, PG&E, SCE, SoCal and SDG&E have added approximately

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[1] Attachment 1 explains each acronym or other abbreviation that appears in this decision.

420,000 new customers to the CARE program on a net basis since the inception of the rapid deployment in May 2001.[2] Under the LIEE program, these utilities have collectively weatherized 50,440 homes and have treated a minimum of 50,000 additional homes with other energy efficiency measures during 2001. Given the success of our rapid deployment strategy, we authorize the continuation of the rapid deployment programs adopted in D.01-05-033 until further Commission order. We plan to reexamine rapid deployment programs and budgets for program year (PY) 2003, and make modifications as appropriate, later this year. The utilities will be filing their applications for PY2003 LIEE and CARE program plans and budgets on July 1, 2002.

By today's decision, we examine more closely the manner in which we measure program achievements in the CARE program. CARE penetration rates represent the number of low-income customers that actually participate in the CARE program, divided by an estimate of the number of customers eligible for the program. We find that some improvements are need to the methods currently used by PG&E, SCE, SDG&E and SoCal to measure CARE penetration rates. In particular, these utilities need to order the special tabulations of 2000 Census data when they are available this fall to update demographic information on the joint relationship between household size and income. The August 1, 2003 update of CARE penetration rates should reflect this information. We also direct Energy Division to ensure that Phase 2 of the Needs Assessment Study is designed to obtain income and household size data specific to Avista Utilities' (Avista) service territory for the purpose of estimating the number of CARE

[2] These additions to CARE enrollment are net of the decreases in enrollments due to customers moving out of the service territory or failing to re-certify during that period.

eligible homes. We find the methods currently used by Southwest Gas Company (Southwest) to be reasonable, without modification.

Per Pub. Util. Code § 739.1, as modified by Senate Bill No. 2 from the Second Extraordinary Session (referred to as SBX2 2), we also establish today our goal for CARE program penetration. *Simply put, our goal is to reach 100% of low-income customers that are eligible for, and desire to participate in, the CARE program.* The utilities report that over one million low-income customers meet the CARE eligibility criteria but are not currently participating in the program. Our goal is to enroll each and every one of these customers that wants to participate.

We recognize that the utilities will not reach this goal at the same pace, given differences in demographic characteristics and the magnitude of the eligible low-income population within each service territory, as well as differences in where each utility stands today with respect to program penetration. We also recognize that the law of diminishing returns applies to CARE outreach efforts over time, i.e., it becomes increasingly difficult to enroll additional customers, the closer the utility moves towards achieving 100% participation.

In consideration of these factors, we establish the following *minimum* benchmarks for program penetration rates between now and the end of 2005:

Benchmarks—Percentage Penetration

	PG&E	**SCE**	**SDG&E**	**SoCal**	**Avista**[3]	**Southwest**
2002	63%	88.0%	75.0%	70.0%	50.0%	89.0%
2003	74%	90.0%	78.0%	76.0%	60.0%	90.0%
2004	83%	91.0%	82.0%	81.0%	70.0%	92.0%
2005	84%	92.0%	85.0%	85.0%	80.0%	94.0%

Today's decision reflects our continued commitment to improve CARE enrollment and participation, consistent with SBX2 2 and the program objectives we have articulated in prior Commission decisions. This commitment is not without additional costs to ratepayers. Energy Division estimates that enrolling one million CARE-eligible customers will increase CARE rate subsidy and administrative costs by approximately $182.8 million. This translates to increased annual bill savings of $174.7 million, or $174.00 per year per CARE customer. This estimate assumes that current energy prices continue relatively unchanged over the next four years. The subsidy costs will be higher if energy prices increase and, conversely, lower if they decrease relative to today's levels. They include the 20% electric and gas discount, exemption from the 1-cent and 3-cent electric rate surcharges (PG&E and SCE), and exemption from paying over 6.5 cents for consumption in excess of 130% of baseline (SDG&E). They do not include the costs associated with exempting the additional CARE enrollees from the CARE component of the Public Goods Charge (PGC).

[3] As described in this decision, the Needs Assessment Study will further define the base of eligible customers in Avista's service territory, to which these benchmarks will apply.

We do not pretend that these costs are insignificant. Nonetheless, increases in program costs are unavoidable if we are to meet the needs of low-income customers and the intent of the Legislature.

The minimum benchmarks described above are interim in nature. They are a starting point for our PY2003 program planning process. We will revisit and revise these benchmarks, as appropriate, in future program planning cycles. They may need to be revised periodically based on further experience with CARE outreach efforts, including the automatic enrollment process discussed below. The benchmarks may also need to be revisited when the results of the Low Income Needs Assessment Study currently underway are available.

To assist us in reaching 100% of the low-income customers that are eligible for CARE, we adopt an automatic enrollment program that will enroll customers of PG&E, SCE, SoCal and SDG&E into CARE when they participate in the following partner agency programs: Medi-Cal and Women, Infants and Children administered through the California Department of Health Services (DHS), Healthy Families administered by the Managed Risk Medical Insurance Board (MRMIB), or the Energy Assistance Programs administered by DCSD.

As described in this decision, the Commission will administer the agency data exchange for automatic enrollment, in order to ensure confidentiality of all client information provided through our agency partnerships with DHS, MRMIB, and DCSD. The Commission will serve as a clearinghouse to identify electronic matches between agency and utility customer records, by comparing non-CARE data provided by the utilities with client information from the DHS, MRMIB, and DCSD programs. Once a match is made, the Commission will forward the customer's name and address to the utility for provisional enrollment. CARE customers who are automatically enrolled will receive the

CARE discount for two years, and may recertify either through continued participation in our partner agency programs or through the utility's automatic two-year recertification process.

The utilities, the Commission and the partner agencies will all incur one-time and ongoing costs for program start-up and implementation. Administrative and clearinghouse costs will be higher initially due to program start-up costs, but are expected to decrease and level out for program years 2003 through 2005. Combined utility and Commission non-recurring clearinghouse administrative costs will total $900,000 for the first program year. Combined recurring utility and Commission clearinghouse costs are estimated at $648,000 for the first program year and for each subsequent year (See Table 6.1). Subsidy costs will also increase substantially as we enroll the majority of eligible customers into CARE during the first few months of the program. Subsidy costs will vary depending on the number of enrollments, ranging from $17.1 million to enroll 100,000 customers, to $172.4 million to enroll one million customers into CARE. The utilities will incur additional administrative costs that will also vary by the number of customers enrolled into CARE, as described in Attachment 8.

We are moving forward with automatic enrollment on an expedited schedule. The Commission's Executive Director will begin immediate efforts to obtain partnership agreements with DHS, MRMIB, and DCSD. As soon as practicable after these agreements are finalized, the Assigned Commissioner will issue a ruling outlining additional implementation tasks and a schedule for completing them. Within 30 days from the effective date of this decision, the Assigned Commissioner will issue a ruling setting forth the text for a bill insert to provide customers with advance information about the automatic enrollment program. Energy Division, in consultation with the Public Advisor's Office, will prepare the bill insert language for the Assigned Commissioner's consideration.

We direct the utilities to submit names and addresses of customers who are not enrolled in CARE to the Commission on a monthly basis, beginning 90 days from today. The frequency of this submittal may be modified by the Assigned Commissioner, as appropriate. The utilities are also expected to track those customers who are automatically enrolled in CARE, and report on the number of customers successfully matched, enrolled and re-certified. This information and actual program expenditure amounts should be included in the utilities' monthly rapid deployment reports until further notice. We further direct each utility to file annual status reports on the automatic enrollment program. This information will allow us to track the number of new enrollees and evaluate the contribution of automatic enrollment to our penetration goals.

Due to the disparities between Universal Lifeline Telephone Service (ULTS) and CARE described in this decision, we do not include ULTS in the automatic enrollment program we adopt today. In particular, the record in this proceeding raises concerns over the extent to which ineligible customers may currently be enrolled in ULTS. However, we direct the Low Income Oversight Board (LIOB) to solicit public input and develop recommendations for coordinated customer outreach between the ULTS and CARE programs. The LIOB report is due within 120 days from the date of this decision, with comments due 30 days thereafter. We also refer Energy Division's recommendations for improvement to ULTS penetration rate calculations and eligibility verification to the Assigned Commissioner in the ULTS proceeding, R.98-09-005.

Today's decision also describes the program planning process we envision for the remainder of 2002 and beyond. The utilities report that there is sufficient

SBX1 5 and program carryover funding to continue LIEE rapid deployment activities through the end of the year without any modifications to authorized funding levels or ratemaking. In contrast, CARE program costs will greatly exceed the amounts currently authorized in rates and remaining from SBX1 5 appropriations as we continue rapid deployment through 2002. Accordingly, we have directed the utilities to file separate applications to address the funding of CARE rapid deployment activities, and associated ratemaking treatment, through December 31, 2002.[4] We will consider these applications by subsequent Commission decision. We authorize the utilities to track costs related to automatic enrollment in a memorandum account or in an existing CARE balancing account, as appropriate, pending our determinations in A.02-04-031 et al.

Finally, as outlined in the Assigned Commissioner ruling dated February 27, 2002, we have initiated a planning process to consider program design improvements for PY2003. As part of this review, we may need to reassess program budgets and funding levels, particularly for CARE outreach efforts, in light of our goal for CARE participation, minimum penetration rate benchmarks and the automatic enrollment program we adopt today. The utilities shall include in their PY2003 CARE program plans (due July 1, 2002) a proposed scope of study for evaluating the results of automatic enrollment, and associated budget.

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[4] See Applications (A.) 02-04-031, A.02-04-034, A.02-04-035, A.02-04-036, consolidated by ruling dated April 26, 2002.

2. Background and Issues

PG&E, SCE, SDG&E and SoCal currently collect approximately $140 million per year to fund the CARE program and $60 million per year for LIEE services through the PGC. In D.01-05-033, the Commission augmented these funding levels in order to rapidly deploy CARE and LIEE programs during the energy crisis.[5] LIEE budgets were augmented by funds available from prior year unexpended LIEE budgets and funds appropriated by Senate Bill (SB) 5 from the First Extraordinary Session (referred to as SB X1 5). Funding for CARE administrative costs and rate subsidies were also augmented by the one-time SBX1 5 appropriations.[6] The Commission directed that rapid deployment of these programs continue "until further Commission order," and required PG&E, SDG&E, SCE and SoCal to file monthly status reports on the results of these efforts. The Commission also articulated its expectation that rapid deployment would need to continue "through the end of 2001 and perhaps well into 2002."[7]

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[5] Rapid deployment programs and activities for the smaller and multi-jurisdictional utilities are being addressed by the Commission separately. See, for example, D.01-08-065. However, we do address today the CARE penetration goal proposals submitted by Avista Utilities and Gas Company in this proceeding.

[6] SBX1 5 provided a one-time increase to LIEE program of $20 million. The statute also authorized another $50 million for appliance replacement and other energy efficiency measures, of which the Commission allocated $25 million to further supplement LIEE funding during the energy crisis. In addition, SBX1 5 provided a one-time appropriation of $100 million to supplement the funding collected in rates for CARE discounts and outreach efforts. However, approximately $84 million of this CARE program augmentation was subsequently rescinded by the Governor in his November Budget Revisions.

[7] D.01-05-033, p. 67; Ordering Paragraphs 17 and 19.

Consistent with that direction, the Assigned Commissioner and Administrative Law Judge (ALJ) scheduled status conferences to monitor rapid deployment activities and program accomplishments. These were held on July 11, 2001 (San Francisco), August 28, 2001 (Los Angeles) and February 8, 2002 (San Francisco).

In order to explore ways to further increase participation in these programs, the Assigned Commissioner issued a ruling on June 14, 2001 requesting comments on the issue of "automatic enrollment," i.e., automatically enrolling customers into CARE or LIEE when they enroll in other low-income assistance programs, such as food stamps or Medi-Cal. Comments were filed on June 29, 2001 by AARP,[8] jointly by Bay Area Poverty Resource Council and Community Resource Project, Inc., by DCSD, Office of Ratepayer Advocates (ORA) and jointly by SDG&E, SoCal, PG&E and SCE. Reply comments were filed on July 5, 2001 by AARP and jointly by SDG&E, SoCal, PG&E and SCE.

On October 8, 2001, the Governor signed SBX2 2 into law. Among other things, SBX2 2 modifies Pub. Util. Code § 739.1 to require that the Commission take certain steps to improve CARE enrollment and participation, "including comparing information from CARE and the [ULTS] program to determine the most effective means of using that information to increase CARE enrollment through automatic enrollment of ULTS customers who are eligible for the CARE program, and identify customer privacy issues and alternative mechanisms for outreach to potential enrollees." SBX2 2 also requires that the Commission establish penetration goals for the CARE program. By ruling dated

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[8] Formerly the American Association of Retired Persons, this organization now refers to itself exclusively as "AARP".

November 20, 2001, the Assigned Commissioner requested parties to this proceeding and the ULTS proceeding (Rulemaking (R.) 98-09-005) to respond to CARE enrollment issues and other requirements of the statute. The Assigned Commissioner also directed Energy Division to hold workshops on penetration rates for CARE and ULTS.[9] In particular, he directed Energy Division to develop recommendations on the following:

1. Any methodological issues that need to be addressed to improve the methods currently used by the energy utilities to develop and report penetration rates, in order to ensure consistent and accurate reporting across utilities.

2. How to effectively update current methods to reflect the 2000 Census data.

3. How the methods discussed at the workshop could be used to develop comparable penetration rates under the ULTS program.

Comments on CARE enrollment issues were filed on December 14, 2001 by AARP, Avista, AT&T Communications of California, Inc., ORA, Pacific Bell Telephone Company (Pacific Bell), PG&E, SCE, jointly by SDG&E and SoCal and by Verizon California Inc. (Verizon). Reply comments were filed by AARP, Latino Issues Forum and Greenlining Institute (LIF/G), SCE, SDG&E/SoCal and Verizon.

PG&E, SDG&E, SCE, SoCal, Avista and Southwest filed proposals to establish penetration goals for their CARE programs on December 19, 2001.

[9] Assigned Commissioner's Ruling Scheduling Workshops on Penetration Rates for CARE and ULTS Programs, January 14, 2002.

LIF/G filed joint comments on the utility proposals on January 3, 2002, and SCE filed a reply to those comments on January 10, 2002. Supplemental comments on how penetration goals could be developed to address differences in program penetration among different demographic groups were filed on February 19, 2002 by PG&E, SCE, SDG&E/SoCal and ORA.

Energy Division held workshops on CARE and ULTS penetration rates on February 6 and March 6, 2002. Energy Division's workshop report was issued on April 2, 2002. Comments were filed on April 19, 2002 jointly by Pacific Bell/Verizon, SCE, SDG&E/SoCal and ORA. Reply comments were filed on April 29, 2002 by Pacific Bell/Verizon, SCE, ORA, and LIF/G.

In today's decision, we briefly summarize the status of rapid deployment efforts to date. Based on the workshop report and comments, we discuss the methods currently used to develop penetration rates for the CARE and ULTS programs, and identify areas for further improvement. Within this context, we establish our longer term goal for CARE program participation, adopt minimum benchmarks for CARE penetration rates between now and 2005, and adopt an automatic enrollment program for CARE. Finally, we briefly outline the program planning process we envision for CARE and LIEE in the coming months. In that discussion, we present estimates of the amount of funding that is currently collected via the PGC, available from prior year carryovers and remaining from SBX1 5 appropriations for low-income assistance programs during 2002.

3. Status of Rapid Deployment

In the following sections, we briefly summarize the status of rapid deployment efforts for low-income assistance programs, by utility.[10] More detailed information is available in Attachments 3 to 6 of this decision. The results described below represent accomplishments since the inception of rapid deployment (initiated in May, 2001 with the issuance of D.01-05-033) through the end of 2001, unless otherwise indicated.

The CARE penetration rates we present in the following sections represent the number of low-income customers that actually participate in the CARE program, divided by an estimate of the number of customers that are eligible for the program. After a customer has been on the program for two years, they are required to re-certify their eligibility by responding to a written inquiry from the utility.[11] No income eligibility documentation is required in the re-certification process. However, if the customer does not respond, they are removed from the CARE rate. The CARE penetration rates reflect the increases in enrollments during the year, as well as the decreases in enrollments due to customers moving out of the service territory or failure to re-certify during that period. Attachment 2 references the sources of this information from the utility's monthly status reports.

We also summarize the status of each utility's capitation agreements. Under these agreements, the utility pays an organization or agency a fee to

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[10] Source: Reporter's Transcript (RT): Status Conference On Rapid Deployment Of Low-Income Assistance Programs, February 8, 2002 and the January 22, 2002 Monthly Status Reports filed by the utilities in this proceeding.

[11] Customers who are submetered tenants are requested to recertify annually.

reimburse them for enrolling eligible CARE participants. This administrative fee (referred to as a "capitation fee") is generally paid on a fixed basis for each successful CARE enrollment.

Our reference below to the number of "treated" homes refers to an income-qualified home that has received any measure or service under the LIEE program, including energy education, compact fluorescent lights (CFLs), weatherization and appliances. "Weatherized" homes are a subset of "treated" homes, and are defined as income-qualified homes that have received any weatherization measures (e.g., weatherstripping and caulking) under the LIEE program. Under the LIEE program a treated home must receive all feasible measures for which it qualifies.

Table 1 summarizes the status of LIEE and CARE expenditures and accomplishments during 2001, by utility.

3.1 PG&E

From May thru December 2001, PG&E enrolled approximately 285,500 "net" new customers in the CARE program, that is, new enrollments minus the reductions in existing enrollments due to re-certification efforts during those months. PG&E increased its CARE penetration rate from 41% to 53% during that period. (See Attachment 3.) The increase in enrollment was distributed evenly between urban and rural counties, where program penetration increased by 58% and 56%, respectively.[12] PG&E attributes this large increase in enrollment to the successful incorporation of strategies identified during the CARE Outreach Pilot, including targeted language-specific advertising, presence at local community

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[12] RT at 165.

events supported by public media partnerships, and the capitation agreements with community-based organizations. As of the end of 2001, PG&E had entered into capitation agreements with approximately 80 different organizations throughout its service territory, split fairly evenly between rural and urban counties.

PG&E characterizes 2001 as a transition year for LIEE, in which it was ramping up a new contract for its Energy Partners Program and incorporating the new rapid deployment LIEE measures. It started the year with ten contractors providing weatherization services throughout PG&E's service territory, and after the new bid, the contractor pool increased to 20 during the summer months, with additional contractors added in September. During 2001, PG&E treated approximately 44,000 homes—of which about 30,000 were weatherized, including 3,045 treated with attic insulation. Specific measure installations include: 7,000 efficient refrigerators, 4,000 evaporative coolers, 162,000 CFLs. As of December 31, 2001, PG&E projects that these initiatives have saved 2,955 kilowatts (kW), over 16 million kilowatt-hours (kWh) and 748,873 therms.[13]

3.2 SDG&E

From May through December 2001, SDG&E added approximately 11,360 CARE program enrollees on a net basis, increasing its CARE penetration rate from 58% to 63% during that period. (See Attachment 6.) At the end of the year, SDG&E's penetration rate for rural and urban areas was 40% and 64%,

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[13] See Table 1 and PG&E's monthly status reports on 2001 year-end results.

respectively.[14] SDG&E primarily works with agencies that have one-to-one contacts with low-income customers, and offers CARE information in conjunction with events targeted to low-income markets, such as those sponsored through churches, community affairs or local agencies. SDG&E currently contracts with eight community-based organizations to enroll customers on a capitation fee basis, and expects to contract with three more during 2002.

For its LIEE program, SDG&E reports that it treated 19,679 homes during 2001, of which 10,817 received weatherization measures. Specific measure installations include: 2,833 efficient refrigerators, 2,062 CFLs, 379 efficient air conditioners and 423 water heaters. During the second half of 2001, SDG&E entered into memorandums of understanding with six San Diego-based organizations to leverage low income assistance programs offered through DCSD. These organizations will continue their participation during 2002 to increase these leveraging efforts, including bulk purchasing arrangements, exchange of customer information, referral systems and outreach activities. As of December 31, 2001, SDG&E estimates that its LIEE program has produced savings of 1,655 kW, approximately 5.9 million kWh and 233,041 therms.[15]

3.3 SCE

SCE enrolled approximately 124,240 new CARE participants on a net basis between May and December 2001. During that period, SCE increased its CARE penetration rate from 73% to 88%. (See Attachment 4.) SCE reports CARE

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[14] SDG&E Status Report, dated January 22, 2002; Tables 14 and 15. See also Table 1.

[15] *Ibid*. Table 5.

penetration rates of 71% and 90% for rural and urban areas, respectively.[16] SCE attributes its success in building CARE enrollment to a multi-channel outreach effort that includes the capitation program, targeted and ethnic media advertising, direct mailers as well as outreach activities through faith-based organizations, county agencies, and other organizations. During 2001, SCE put in place agreements with 65 organizations to increase CARE enrollment through capitation fee arrangements.

During 2001, SCE weatherized 1,246 homes and installed the following measures: 685 central air conditioner systems, 240 window air conditioning units, 9,285 efficient refrigerators and approximately 250,000 CFLs, with an additional 65,832 CFLs installed in porch light fixtures.[17] In addition, SCE installed 3,900 evaporative cooler units. SCE leverages with the Low-Income Home Energy Assistance Program (LIHEAP) offered by DCSD by purchasing refrigerators on behalf of both programs, contracting with LIHEAP service providers to deliver measures under both programs, and other methods. As of December 31, 2001, SCE estimates that its rapid deployment efforts have saved approximately 5,890 kW and over 26 million kWh.[18]

3.4 SoCal

SoCal reports that it added over 106, 000 new customers to its CARE program on a net basis from May through December 2001. These additions increased SoCal's CARE penetration rates from 56% to 60%. (See Attachment 5.)

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[16] SCE Status Report, dated January 22, 2002; Tables 14 and 15.

[17] *Ibid*. Table 4.

[18] *Ibid*. Table 5. See also Table 1.

Program penetration is estimated at 61% for urban and 51% for rural areas within SoCal's service territory.[19]

SoCal projects an aggressive increase in CARE participation during 2002, as a result of using the additional funds available for marketing and outreach under SBX1 5. It plans to continue community-based outreach, including the continued use of capitation contractors. SoCal reports that one of its capitation contractor enrolled over 17,000 CARE customers in 2001. SoCal currently has 43 CARE contractors participating in the program and is negotiating contracts with more than 20 other organizations for CARE outreach activities.

SoCal weatherized over 33,000 homes during 2001. Most of SoCal's weatherization contractors are also LIHEAP contractors, and SoCal reports that this has enabled them to significantly leverage funding under both programs. SoCal provided 884 energy-education workshops throughout the service territory and installed 3,200 furnaces and 1,549 efficient water heaters during 2001. As of December 31, 2001, SoCal estimates that its program has saved a total of 746,352 therms and 396,552 kWh.[20]

4. CARE and ULTS Penetration Rates - Methodological Issues

As described above, Energy Division held workshops to examine the methodologies used by the energy and telecommunication companies to calculate the penetration rates for their low-income rate discount programs, CARE and ULTS, respectively. Attachment 7 presents excerpts from the working

[19] SoCal Status Report, dated January 22, 2002; Tables 14 and 15.

[20] See Table 1.

report summarizing these methodologies, including their similarities and differences.

The most striking revelation from the workshops is that telephone service affordability studies required by the Commission do not produce penetration rates that reflect the number of customers participating in the ULTS rate discount program, relative to the number that are estimated to be eligible. Instead, Verizon and Pacific Bell calculate penetration rates that are designed to monitor universal service goals by monitoring how many households have basic phone service. In other words, the penetration rates (in the 94-98% range) that have been submitted to the Commission by telecommunications utilities in the past, and compared with CARE penetration rates by some parties in our low-income assistance proceedings,[21] reflect *the percentage of the population that have phones.* Energy utilities, on the other hand, calculate penetration rates that reflect CARE program participation relative to eligibility. The workshops clearly revealed this important definitional difference.

For the purpose of these workshops, Verizon and Pacific Bell arranged to have their consultants apply the survey results from the most recent affordability study to develop a ULTS penetration rate that would be comparable to what the energy utilities calculate. The results indicate that approximately 70% of customers that have phones and are eligible for ULTS actually participate in the program. However, as discussed in the Workshop Report, this statistic may

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[21] For example, LIF/G in their January 3, 2002 comments refer to Verizon's "ULTS penetration rate" as going from 93.8% in 1994 to 96.2% in 2000. (Footnote 5.) However, as discussed in the workshops, these figures do not represent ULTS penetration rates—but rather then number of households that have phones. LIF/G repeats this error in their reply comments on the Workshop Report.

overestimate actual ULTS penetration rates somewhat because the telecommunication utilities do not conduct random verification of their ULTS enrollees (as do the energy utilities).[22]

Based on the information presented in workshops, Energy Division recommends improvements to the methods used by PG&E, SDG&E, SCE and SoCal for calculating penetration rates.[23] In particular, Energy Division recommends that these utilities order the special tabulations of 2000 Census data when they are available (Fall 2002) to update demographic information on the joint relationship between household size and income. An example of this joint relationship would be the number of households with 3 members and household income in the $15,000 to $19,000 range. Because CARE income eligibility is based on both household income and size, the utilities must have this information in order to estimate the eligible CARE population.

As described in Attachment 7, the primary source of joint household size and income distribution information is the 1990 Census Public Use Microdata Sample (PUMS) data. The utilities update the 1990 PUMS data in their calculations of penetration rates by using vendor data to update household income and size information individually.[24] Then they statistically match these updates to the 1990 Census joint distribution data. By definition, this approach is fundamentally tied to the joint distribution data collected by the 1990 Census.

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[22] Workshop Report on CARE and ULTS Penetration Rates, April 2, 2002, p. 10.

[23] These utilities currently use a consistent methodology that was adopted by the Commission in D.01-03-028.

[24] Examples of the Census PUMS data representing the joint distribution of household income and size, and the vendor data that updates income and size data individually, is provided in Attachment S to the Workshop Report.

Per our reporting requirements manual, the utilities are required to update their CARE penetration rates on an annual basis, by June 1 of each year. In response to Energy Division's Workshop Report, the utilities argue that they should not be required to change the manner in which they update the 1990 Census data or be required to order special tabulations of the 2000 Census data. Rather, they prefer to wait to utilize the 2000 Census information on the joint distribution of household income and size data when the 2000 Census PUMS tables are published during the later half of 2003. They argue that the effort required to make such a change to their calculations of penetration rates at this time would be significant and potentially duplicative of the efforts to be undertaken during Phase 2 of the Needs Assessment Study.

We do not find these arguments persuasive. At whatever point we make the transition to using 2000 Census data as the basis for the joint distribution of household income and size, there will be costs and effort involved. Energy Division estimates that the expense to procure these special tabulations is relatively modest ($800 to $1,000 per utility), which none of the utilities refute in their comments. What they do argue is that the special tabulations lack the flexibility and corresponding tables that are published later with the 2000 Census PUMS data, thus increasing the effort and costs of updating the penetration rates. Although the comments are not clear on this point, it appears that the utilities are requesting to wait until their June 1, 2004 annual update to modify the joint distribution of household income and size based on 2000 Census data, i.e., by waiting until the PUMS tables are available later in 2003.

We do not find it acceptable to continue for two more updates (June 1, 2002 and June 1, 2003) relying on the joint distribution data from the 1990 Census as a primary source, as the utilities' comments suggest. Moreover, the utilities will need to move ahead in using these special tabulations for the Needs Assessment Study, given the current timetable for initiating our Phase 2 assessment.[25] Accordingly, we direct the utilities to update their penetration rates for the second quarter of 2003, using special tabulations from the 2000 Census, on August 1, 2003 per the reporting requirements manual.

Energy Division also recommends that PG&E, SCE, SDG&E and SoCal proceed to complete certain sensitivity tests that were described in the technical workshop materials as currently underway. Specifically, these sensitivity tests involve income smoothing alternatives, variations in small area weighting and an analysis of whether differences between program and Census definitions of household incomes influence eligibility estimates significantly.[26] In the interest of time and consistency, Energy Division recommends that the utilities retain their current vendor, AGS, for updating Census data at this time. For similar reasons, Energy Division recommends that the utilities' current methods for classifying rural and urban areas remain unchanged.

In its comments on the workshop report, SCE argues that the utilities should be permitted to reconsider the use of AGS data as the source for current year data on household size and income distributions, and pursue the option of returning to Claritas as the source for future updates. SCE also contends that the current method for classifying rural and urban areas could be improved by using the Goldsmith method, rather than the Rural Health Council method, and that the utilities should be authorized to make this change. Finally, SCE recommends

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[25] Low Income Needs Assessment Study Phase 1, draft report, pp. 7-8, 7-9.

[26] Workshop Report on CARE and ULTS Penetration Rates, April 2, 2002, Attachment S, p. 9.

that the utilities expand their efforts to validate estimates against independent data sources, beyond those already undertaken to date.

We will adopt Energy Division's recommendations at this time. As discussed above, the utilities will be updating their penetration rate estimates with 2000 Census data for their August 1, 2003 report. To introduce additional methodological refinements between now and then could divert limited resources from this updating task, which we consider to be of highest priority. As part of the PY2003 or subsequent program planning cycles, the utilities may propose additional or alternate validation activities for our consideration. In doing so, the utilities should present a proposed budget for each of the recommended activities.

Moreover, nothing in this record indicates that changes in vendors would be critical to the accuracy of the utilities' current estimates. As Energy Division points out, AGS and Claritas are both well-respected firms and a lot of time and effort went into deciding on AGS as the vendor for updating Census data. With respect to the benefits of the Goldsmith method over the Rural Health Council method, this methodological issue is also being considered in Phase 1 of the Needs Assessment Study, as is SCE's recommendation to evaluate how master-metered households may upwardly bias estimates of household eligibility.[27] We will address these recommendations when we address all other Phase 1 issues. Other longer-term refinements to the methodology used by PG&E, SCE, SoCal and SDG&E are being considered in the Needs Assessment Study, such as the development of estimates of willingness to participate in CARE. We may direct

[27] Low-Income Needs Assessment Phase 1 Report (Phase 1), draft issued April 3, 2002, p. 7-12.

PG&E, SDG&E, SCE and SoCal to incorporate further changes into their methodology as we consider the Needs Assessment Study reports and recommendations.

Energy Division recommends no changes to the current methodologies utilized by Avista and Southwest to calculate CARE penetration rates. As described in Attachment 7, Avista uses a simplified method of applying Census information to estimate its CARE eligible population. In particular, Avista based its calculation of the eligible population within its service territory on the relationship between El Dorado County and California poverty statistics. This assumption (11%) is likely to overestimate the number of eligible population (thereby underestimating actual program penetration) since it does not reflect the unique characteristics of many of the South Lake Tahoe residences, e.g., as recreational or seasonal homes.

We believe that the manner in which Avista estimates its eligible population needs to be improved. To this end, we direct Energy Division to ensure that Phase 2 of the Needs Assessment Study is designed to obtain income and household size data specific to Avista's service territory for the purpose of estimating the number of CARE eligible homes. This may be done by using current Census data, by arranging for the study consultants to conduct an independent survey, or a combination of both. The utilities currently funding the study will absorb the cost of this additional task, which should be relatively small.

Southwest uses an outside company to survey their universe of customers for economic and demographic data. Their estimates are based on cross-tabulations of income and household size and are checked against current

Census data for reasonableness. We concur with Energy Division that this approach appears reasonable.

With regard to the telecommunication utilities, the Workshop Report notes several areas where improvement in the calculation of ULTS penetration rates and eligibility verification is needed. Energy Division has referred these recommendations to the Assigned Commissioner in the ULTS Proceeding, R.98-09-005, for further consideration.

Based on the record in this proceeding, we find that the CARE penetration rate methodologies currently utilized by PG&E, SDG&E, SCE, SoCal, Avista and Southwest to be reasonable, subject to the improvements noted above.

5. Interim CARE Penetration Benchmarks

As discussed in Section 3, the utilities have dramatically increased the number of CARE enrollments during 2001. However, all parties agree that further improvements in program penetration are needed. The utilities have proposed the following goals for CARE enrollments over the next four years:

Utility Proposed Penetration Goals

	PG&E	SCE	SDG&E	SoCal	Avista	Southwest
2002	63%	88.0%	75.0%	70.0%	50.0%	89.0%
2003	74%	88.0%	78.0%	76.0%	57.0%	90.0%
2004	83%	88.0%	82.0%	81.0%	59.0%	92.0%
2005	84%	88.0%	85.0%	85.0%	61.0%	94.0%

In their December 19, 2001 filings the utilities discuss the types of outreach activities they plan to employ to reach these penetration rates, which include the continued use of community outreach contractors, targeted non-English language media marketing, and bill inserts. More specific information regarding PY2002 CARE outreach activities has been submitted in A.02-02-034 et al.

We note that no party has raised objections to the utility proposals for penetration goals, either in written comments, during public workshops or at the February 8, 2002 status conference. However, we do not believe that these proposals recognize that, fundamentally, the goal for this program should be *to reach 100% of low-income customers that are eligible for, and desire to participate in, the CARE program.* The utilities report that over one million low-income customers meet the CARE eligibility criteria but are not currently participating in the program. Our goal is to enroll each and every one of these customers that wants to participate.

We recognize that the utilities will not reach this goal at the same pace, given differences in demographic characteristics and the magnitude of the eligible low-income population within each service territory, as well as differences in where each utility stands today with respect to program penetration. We also recognize that the law of diminishing returns applies to

CARE outreach efforts over time, i.e., it becomes increasingly difficult to enroll additional customers, the closer the utility moves towards achieving 100% participation.

In consideration of these factors, we establish the following *minimum* benchmarks for program penetration rates between now and the end of 2005, which will allow the utilities to move at a meaningful pace towards our goal:

Adopted CARE
Penetration Rate
(Minimum) Benchmarks

	PG&E	**SCE**	**SDG&E**	**SoCal**	**Avista**[28]	**Southwest**
2002	63%	88.0%	75.0%	70.0%	50.0%	89.0%
2003	74%	90.0%	78.0%	76.0%	60.0%	90.0%
2004	83%	91.0%	82.0%	81.0%	70.0%	92.0%
2005	84%	92.0%	85.0%	85.0%	80.0%	94.0%

We increase SCE's benchmark to 92% by 2005 because we believe that SCE should improve on, and not just maintain, its current 88% penetration rates. The higher benchmarks we establish for Avista are predicated on the availability of updated data regarding eligible population from the Needs Assessment Study, as discussed above.

Today's decision reflects our continued commitment to improve CARE enrollment and participation, consistent with SBX2 2 and the program objectives we have articulated in prior Commission decisions. This commitment is not without additional costs to ratepayers. Energy Division estimates that achieving the goal of 100% CARE penetration for PG&E, SCE, SDG&E, and SoCalGas will increase CARE rate subsidy and administrative costs by approximately $182.8 million, for annual bill savings of $174.7 million per year, or $174 per year per CARE customer year. This estimate assumes that current energy prices continue relatively unchanged over the next four years. The subsidy costs will be higher if energy prices increase and, conversely, lower if they decrease relative to today's levels. They include the 20% electric and gas discount, exemption from the 1-cent and 3-cent electric rate surcharges (PG&E and SCE), and exemption from and exemption from paying over 6.5 cents for consumption in excess of 130% of baseline (SDG&E). They do not include the costs associated with exempting the additional CARE enrollees from the CARE component of the PGC.

We do not pretend that these costs are insignificant. Nonetheless, increases in program costs are unavoidable if we are to meet the needs of low-income customers and the intent of the Legislature.

The benchmarks described above are interim in nature. They are a starting point for our PY2003 program planning process. We will revisit and revise these benchmarks, as appropriate, in future program planning cycles. They may need to be revised periodically based on further experience with CARE outreach efforts, including the automatic enrollment process discussed below. The benchmarks may also need to be revisited when the results of the Low Income Needs Assessment Study currently underway are available.

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[28] As described in this decision, the Needs Assessment Study will further define the base of eligible customers in Avista's service territory, to which these benchmarks will apply.

In addition, the utilities' penetration benchmarks may need to be refined to respond to changes in demographics, as suggested at the February 8, 2002 prehearing conference (PHC). Several parties recommended that, in the consideration of CARE penetration goals, we should look at penetration levels in terms of ethnic and elderly demographic groups. The issue was raised out of a concern that the utilities' penetration and outreach efforts might not be in line with changes in demographics over time. By ruling dated May 9, 2002, the Assigned Commissioner directed that the Needs Assessment Study address this issue, and that it be considered by the LIOB.

6. Automatic Enrollment

We believe automatic enrollment of low-income electricity and natural gas customers into CARE is necessary to achieve our goal of 100% CARE penetration. The utilities report that 1,060,828 households currently qualify for but do not participate in the CARE program.[29] Many of these households are likely to receive medical, food, or cash assistance from public benefit programs administered by California state agencies. As discussed further below, we adopt a program whereby households that participate in certain public assistance programs are automatically enrolled into CARE.

Automatic enrollment issues we address today include broadening eligibility requirements, preserving the confidentiality of customer information through Commission program administration, obtaining customer consent through provisional enrollment, allocation of costs associated with automatic enrollment, and coordination with ULTS.

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[29] PG&E, SCE, SDG&E, and SoCal April 2002 Rapid Deployment Reports.

6.1 Partner Agencies

Parties identified several public assistance programs with eligibility requirements compatible with the CARE income requirement of 175% or less of federal poverty guidelines. Most of these programs are administered by four departments under the auspices of the California Health and Human Services Agency. DHS administers Medi-Cal and Women, Infants and Children (WIC). California Work Opportunities and Responsibility to Kids (CALWORKS) and Food Stamps are administered by the Department of Social Services (DSS), Healthy Families by the MRMIB, and the LIHEAP are managed by DCSD.

Several of California's low-income food and medical assistance programs are coordinated so that a client who qualifies for one program automatically qualifies for other programs. For example, participants in CALWORKS and Food Stamps automatically qualify for no-cost Medi-Cal. Up to 60% of WIC clients also receive benefits from Medi-Cal and Food Stamps programs. Healthy Families is a health coverage program for children of low-income wage earners with incomes above the Medi-Cal guidelines, which may disqualify Healthy Families clients from participation in programs with lower income requirements.

Low-income households apply for these programs by completing an application at local county-operated welfare assistance offices. One standard application is used for Medi-Cal and Food Stamps; similar applications are used for Healthy Families and WIC. The applications request information about the number of household members, amount and sources of household income, and household expenses. The applicant must provide proof to support the information. The applicant is informed that the application may be selected for a random quality control review.

LIHEAP applicants undergo a similar process. Low-income utility customers complete an application at selected local government and nonprofit agency locations to qualify for any or all of three LIHEAP programs that provide weatherization and bill payment assistance. The LIHEAP programs also require the applicant to provide proof of income.

We elect to partner with the Medi-Cal, WIC, Healthy Families, and LIHEAP programs for three reasons: 1) program eligibility requirements most closely match the Commission CARE eligibility requirement of 175% or less of federal poverty guidelines; 2) each agency requires proof of income prior to enrollment; and 3) these programs provide the greatest number of household records with the least amount of duplication.

The majority of potential CARE customers will be automatically enrolled through participation in Medi-Cal, which provides public health insurance to low-income Californians. Maximum allowable income for no-cost Medi-Cal is generally up to 133% of federal poverty guidelines, which is well below the maximum CARE income requirement. Approximately 7.2% of Medi-Cal participants have incomes between 133% and 250% of federal poverty guidelines. The number of clients with incomes between 185% and 250% is about 2.6%.

WIC accepts clients with incomes up to 185% of federal poverty guidelines, or clients who participate in either Medi-Cal or Food Stamps programs. Healthy Families and LIHEAP provide services to clients with incomes up to 250% of federal poverty guidelines.

We recognize there may be client duplication among Medi-Cal and WIC at the lower income ranges, but these programs provide the broadest opportunity to reach customers with incomes between the no-cost Medi-Cal maximum income eligibility of 133% and our CARE income eligibility of up to 175% of federal poverty guidelines.

The Executive Director will begin immediate efforts to obtain partnership agreements with DHS, MRMIB, and DCSD. As soon as practicable after these agreements are finalized, the Assigned Commissioner will issue a ruling outlining additional implementation tasks and a schedule for completing them.

6.2 Eligibility Requirements

Currently, low-income households qualify for CARE if they certain income and household size criteria, based on 175% of the federal poverty guidelines. To implement automatic enrollment, we find it necessary to broaden CARE's eligibility requirements so that low-income customers qualify for CARE *either* if the household meets the current CARE eligibility criteria, *or* when the household participates in one of our automatic enrollment partner programs. We recognize that automatic enrollment of Medi-Cal, WIC, Healthy Families, and LIHEAP clientele could result in CARE enrollment of customers whose incomes exceed the Commission's income eligibility requirement. However, we believe this number is insignificant compared to the number of eligible customers with incomes within the CARE requirement.

6.3 Other State and Utility Data Matching Programs

Parties indicate that other states are implementing automatic enrollment, citing programs in Texas, Idaho, Oregon, New York, Vermont, Montana, and Massachusetts. At least two states adopted legislation requiring social service agencies to either simultaneously enroll low-income customers in utility discount programs, or transmit customer eligibility information to either the utility or the state utility regulatory agency. Other states formed cooperative partnerships between social service agencies, the utilities, and the regulatory agency to facilitate provision of low-income services. The utilities point out that although automatic enrollment programs are underway in other states, most notably New York and Texas, specific data on cost, participation levels and operations is not generally available. The utilities recommend obtaining further information to compare the automatic enrollment experiences in other states.

The state of Texas has authorized two automatic enrollment efforts. In 1998, the Public Utilities Commission of Texas (PUCT) implemented an automatic enrollment program to enroll Texas Department of Human Services (TDHS) clients into a bill discount program for low-income users of local telephone service. DHS periodically transmits the names and telephone numbers of its clientele to the local telephone companies. To date, at least one telephone company, Verizon, has enrolled over 20,000 of its customers from 97,222[30] customer records provided by DHS.

In January 2002, the PUCT simultaneously implemented a discount program for low-income electric customers and an automatic enrollment program to accelerate customer participation. Customers who receive certain public benefits from the TDHS are automatically enrolled in the electric bill discount program.[31] The automatic enrollment program is administered under the auspices of the PUCT. The administrator matches a DHS client's address with utility meter addresses obtained from the entity that manages Texas'

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[30] Verizon serves approximately 17% of the state. Energy Division estimates that 17%, or 266,000 out of 1.56 million TDHS clients, are likely to be served by Verizon. Energy Division converted 266,000 individual clients to 97,222 households, assuming 2.74 individuals per Texas household per 2001 US Census data: http://quickfacts.census.gov.qfd/48000.html

[31] DHS programs include Medicaid and Food Stamps.

transmission grid, the Electricity Reliability Council of Texas (ERCOT). In anticipation of automatic enrollment and electric restructure in Texas, ERCOT standardized the service addresses of all meters within its service territory. ERCOT, DHS, the program administrator, the utilities, and electric service providers signed agreements to protect customer confidentiality.

Preliminary data obtained by Energy Division from the PUCT energy program administrator indicates that to date, out of 623,000 households receiving public benefits and served by participating electric service providers and utilities, approximately 460,000 households were successfully identified for automatic enrollment with their energy service provider. Due to the success of the electric automatic enrollment program, the PUCT plans to shift operation of the telephone discount automatic enrollment program from the telephone companies to the PUCT administrator.

SCE and SoCal are conducting a joint CARE automatic enrollment project. Between December 2001 and March 2002 SCE and SoCal exchanged the names and addresses of new CARE customers in their respective service areas. SoCal provided SCE with the names and addresses of 72,049 new CARE customers. Approximately 18,031 customers were outside of SCE's service territory. Of the remaining 54,018 customers, SCE matched 37,071 customers. About 20,626 customers already received the CARE discount; the remaining 16,445 were enrolled in CARE.

SCE compared its customer records with SoCal records at one of three levels of customer information:

Level 1 – Customer's first and last names and service address
Level 2 – Customer's last name and service address
Level 3 – Service address

SCE automatically enrolled matches made at Levels 1 and 2 into CARE. A letter and CARE application were mailed to Level 3 households.

6.4 Impact of Automatic Enrollment on CARE Penetration

It is impossible to provide reliable estimates of the impact of automatic enrollment on CARE penetration levels at this time. However, we note that in 2001, approximately 5.5 million individuals, or 1.9 million households participated in Medi-Cal, WIC, Healthy Families and LIHEAP. Up to 80% of these households are served by at least one investor-owned utility.[32] Although a portion of these households may already be enrolled in CARE or live in sub-metered dwellings, the potential for automatic enrollment to dramatically increase CARE enrollments is evident.

Based on the experience in other states, we expect to enroll the majority of CARE-eligible households through automatic enrollment during the initial two months of clearinghouse operation. We expect subsequent annual automatic enrollment levels to decrease and level out over time. The status reports we discuss in Section 6.7 below will allow us to track the number of new enrollees and the contribution of this program to CARE penetration levels.

6.5 Commission Administration and Customer Confidentiality

The Commission, rather than the utilities, will administer the agency data exchange for automatic enrollment. Commission administration is necessary to ensure confidentiality of all client information provided through our agency partnerships with DHS, MRMIB, and DCSD. Commission administration will

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[32] California Energy Commission website http://energy.ca.gov/electricity/utility_sales.html.

allow the partner agencies to comply with state and federal legal requirements associated with preserving client confidentiality. It also affords low-income consumers greater opportunity to maximize their participation in beneficial public assistance programs.

DHS maintains client information in one central location, the Medi-Cal Eligibility Database System (MEDS). California's fifty-eight counties provide client information to MEDS from each county's individual data system. Client records for the Healthy Families program is also stored in MEDS. MEDS is accustomed to frequent data exchange and transfer functions.

DCSD currently utilizes a database to administer the CARE program for Avista, Pacific Power and Light Company, Sierra Pacific, and CARE-comparable low-income discount programs for municipal utilities. DCSD also makes direct assistance payments to all the investor-owned utilities on the customer's behalf. Similar to MEDS, the DCSD database is capable of data merging and transfer applications.

The Commission will act as a clearinghouse to identify electronic matches between agency and utility customer records. The clearinghouse will compare the names and addresses of customers currently not receiving CARE with client information from Medic-Cal, WIC, Healthy Families, and LIHEAP. A reasonable match of customer name and address must be made between agency and utility customer information prior to enrollment. We adopt the approach used in the data exchange program between SoCal Gas and SCE: the customer's last name and address must match to achieve enrollment status.

Once a match is made, a notification and consent procedure similar to that proposed by AARP will be applied. The Commission will forward the customer's name and address to the utility for provisional enrollment. The utility will contact the customer by mail. The mailing will inform the customer of the benefits of the CARE program and how to contact the utility for additional information. The customer will have 30 days to notify the utility if the customer does not wish to receive the CARE discount. If the customer does not contact the utility to cancel provisional enrollment, the customer will be automatically enrolled in CARE and will receive the CARE discount effective the next billing cycle.

As in the SCE/SoCal automatic enrollment project, we expect some addresses–only matches between utility and partner agency records. If the clearinghouse achieves an address-only match between agency and utility records, the utility will be alerted to mail a CARE application and a letter inviting the household to apply for CARE.

Beginning 90 days of the effective date of this decision, the utilities will submit the names and addresses of customers currently not receiving CARE to the Commission on a monthly basis. The Assigned Commissioner may modify the frequency of the utility data submissions, as appropriate. We clarify, as requested by the utilities in their comments, that these submissions do not need to include the names of customers who are not eligible for CARE by reason of their rate class. Energy Division will conduct meetings with the utilities and our partner agencies to develop data transfer and matching protocols.

6.6 Recertification of Automatic Enrollment Customers

Currently, CARE customers receive a discount for two years. After two years on the program, customers are required to recertify their eligibility. The utility automatically contacts the customer for recertification. AARP and the utilities recommend a one-year recertification period to ensure continued eligibility of customers who are automatically enrolled versus those customers who applied to CARE via other mechanisms. AARP points out that many social services programs require annual certification, and that information obtained from more frequent certification could assist the Commission with monitoring the effectiveness of the automatic enrollment program. AARP suggests modifying the partner agencies' applications to allow customers to apply for CARE, Medi-Cal, Healthy Families, or other public benefit programs. At this time, we decline to adopt a two-tier recertification process. We believe the eligibility screening performed by DHS, MRMIB, and DCSD provides a level of scrutiny that equals or exceeds the utilities' screening process. CARE customers who are automatically enrolled will receive the CARE discount for two years, and may recertify either through continued participation in our partner agency programs or through the utility's automatic two-year recertification process.

We believe AARP's suggestion to modify the applications of DHS, MRMIB, and DCSD to allow customers to apply for CARE when they apply for other public benefit programs has merit. We will refer this issue to the Assigned Commissioner for further consideration as an implementation task.

6.7 Monitoring Program Effectiveness

To gauge program effectiveness, parties suggest the Commission receive reports on the number of successful and failed matches and confirm customer eligibility through a random post-enrollment verification process.

We believe random verification of customers whose eligibility has been thoroughly established by our partner agencies would be duplicative, thereby adding unnecessary administrative costs to the automatic enrollment program. Moreover, this additional step for customers who have already been income-qualified could result in qualified low-income customers dropping out of the

CARE program unnecessarily. The utilities should exclude automatic enrollment customers from the random post-enrollment verification.

We will direct the utilities to track those customers who are automatically enrolled in CARE, and report on the number of customers successfully matched, enrolled, and recertified. This information should be included in their monthly rapid deployment reports until further notice by the Commission or Assigned Commissioner.

We recognize the need to assess the contribution of automatic enrollment towards achieving our objectives of enrolling all eligible low-income customers into CARE. To this end, we direct the utilities to file annual status reports on automatic enrollment until further order by the Commission or Assigned Commissioner. The Energy Division shall work with the respondent utilities to develop format, content, and filing dates for the annual status reports. This information will allow us to track the number of new enrollees and evaluate the contribution of automatic enrollment to our penetration goals. We direct the utilities to include in their PY2003 CARE program plans (due July 1, 2002) a proposed scope of study for evaluation of the first twelve months of automatic enrollment, and associated budget.

As we move forward with CARE automatic enrollment, we expect that Energy Division, LIOB, utilities and interested parties may identify additional program and implementation issues that need to be addressed. We delegate to the Assigned Commissioner the task of prioritizing and clarifying these issues by ruling, if and when such a need arises.

6.8 Bill Insert

Utility customers should be provided with advance information about the automatic enrollment program directly from the Commission. The most logical method to accomplish this is with a bill insert. The bill insert should state that the Legislature has authorized the Commission to establish CARE penetration goals and to examine methods to enhance CARE enrollment. The bill insert should state that the Commission has selected automatic enrollment as an effective way to achieve its' CARE enrollment goals. The insert should advise customers that if they participate in Medi-Cal, WIC, Healthy Families, or LIHEAP programs, they are eligible for CARE, may be automatically enrolled in CARE, and may receive a letter from the utility informing them of their provisional enrollment in CARE. The bill insert will explain the benefits of CARE. We delegate the task of preparing this bill insert to the Energy Division, in consultation with the utilities and the Public Advisor's Office. The bill insert shall be prepared and approved by way of a ruling from the Assigned Commissioner no later than 30 days from the effective date of this decision.

6.9 Program Costs and Funding

The utilities, the Commission, and the partner agencies will all incur one-time and ongoing costs for program start-up and implementation. Parties identified general automatic enrollment cost categories; none of the parties provided estimates on specific costs to implement automatic enrollment. SCE and SoCal provided Energy Division with the data processing costs incurred for the joint data exchange project.

The utilities each provided subsidy and administrative costs incurred in PY2001 for CARE program activities in their respective May 1, 2002 Annual CARE Progress Reports. Administrative costs include categories for outreach, processing, certification verification, billing system programming, measurement and evaluation, regulatory compliance, CPUC staff funding, and other unspecified administrative costs. All utilities provided annual and average-per-person rate discount costs. PG&E also included electric surcharge exemption costs.

Energy Division developed preliminary annual cost estimates in Attachment 8 to automatically enroll a range of CARE customers from 100,000 to 1 million customers. These estimates are based on the administrative and subsidy cost information from the PY2001 CARE Progress Reports, and from the data processing costs incurred by SCE and SoCalGas for their joint data matching project.

We note that several of the reported administrative cost subcategories are not applicable to the automatic enrollment program. The utilities will not incur the types of costs associated with most traditional CARE activities, such as outreach, CARE application processing or random post-enrollment verification. Other categories could incur higher costs to implement the program. For example, costs for billing system programming and measurement activities could increase due to our requirement that the utilities track automatic enrollment customers. Nevertheless, the reported utility costs provide a reasonable starting point to determine the magnitude of the increased costs due to implementing the automatic enrollment program.

Administrative and clearinghouse costs will be higher initially due to program start-up costs, but are expected to decrease and level out for program years 2003 through 2005. Anticipated costs associated with clearinghouse activities include programming, identification, retrieval, duplication, matching and transfer of client/customer data, and preparing and mailing the bill insert and provisional enrollment letter. Energy Division estimates one-time clearinghouse set-up costs of $500,000.00 and an annual recurring cost of $360,000, totalling $860,000 for the first program year. The utilities are estimated to incur one-time costs of $400,000, and annual recurring costs of $288,000, for a first-year total of $688,000 for activities associated with the clearinghouse.

Table 6.1 - Clearinghouse Costs

	PG&E	SCE	SDG&E	SCG	Total
CPUC Clearinghouse-one-time costs	$235,963	$45,060	$34,985	$183,992	$500,000
CPUC Clearinghouse-Recurring Costs	$90,000	$90,000	$90,000	$90,000	$360,000
Utility One-time Costs	$100,000	$100,000	$100,000	$100,000	$400,000
Utility Recurring Admin. Costs	$72,000	$72,000	$72,000	$72,000	$288,000

The utilities will incur variable costs for administrative activities specific to automatic enrollment, which include responding to customer inquiries, ongoing data identification and transfer functions, and updating the customer billing system to enroll customers into CARE. Energy Division estimates ongoing administrative costs will range from $803,580.00 to enroll 100,000 customers, to $8 million to enroll one million customers into CARE.

The utilities will also incur higher subsidy costs due to the increase in CARE enrollment. Energy Division estimated the increased rate discount and surcharge exemption costs from the average 2001 gas and/or electric subsidy per CARE household:

Utility	**Average Subsidy**[33]
PG&E	$24.98
SCE	$18.00
SDG&E	$21.51[34]

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33 Includes rate discount and surcharge exemption where applicable.

34 Adjusted to forecast the exemption of rates above 6.5 cents for consumption over 130% of baseline.

SoCalGas $ 4.45

Subsidy cost estimates range from $18.8 million to enroll 100,000 customers, to $174.7 million to enroll one million customers.[35]

Pending Commission action on the utilities' applications for PY2002 CARE program ratemaking treatment (Applications (A.) 02-04-031 et al.), we authorize the utilities to track costs related to automatic enrollment in a memorandum account or in an existing CARE balancing account, as appropriate. These costs include the CARE discount, utility administrative costs (described above), and the Commission's clearinghouse activities. Commission clearinghouse costs will be allocated in proportion to each utility's estimated eligible, unenrolled CARE population, as follows:

Utility	Estimated Eligible Unenrolled CARE Population	Percentage of Total Eligible Unenrolled CARE Population
SCE	96,729	9%
PG&E	494,030	47%
SDG&E	75,100	7%
SoCalGas	394,969	37%
Total	1,060,828	100%

Increased costs related to the 1-cent and 3-cent surcharge exemption will be tracked consistent with procedures adopted by the Commission in the PY2002 CARE ratemaking proceeding.

In its comments on the draft decision, ORA recommends that we review today's cost estimates for reasonableness in the upcoming program planning

35 From Appendix 8: Subtract total utility administration costs from total costs to calculate the bill savings/subsidy costs.

process for 2003.[36] That process will be initiated by the filing of utility applications on July 1, 2002. However, in all likelihood, our program review for 2003 will not be completed before automatic enrollment is well underway and costs are already incurred. Given this timing issue, ORA's recommendation that we delay adoption of a budget to initiate automatic enrollment until the Commission's decision is issued in the 2003 planning process is simply not workable. Nor are we persuaded that such a review would be useful, since there will continue to be considerable uncertainty with respect to program costs until we gain more experience with actual program implementation. Nonetheless, we will need to track utility expenditures on automatic enrollment carefully as we implement this new program over the next few months. The utilities should work with Energy Division in developing an appropriate format for reporting program expenditure information, and include it in the monthly rapid deployment reports until further notice by the Commission or Assigned Commissioner. We expect the annual status reports to detail actual program expenditures as well. In addition, the evaluation study discussed in Section 6.7 should consider those costs in assessing the effectiveness of automatic enrollment during the first twelve months of implementation.

6.10 Coordination with ULTS

Pursuant to PU Code Section 739.1 (c), the Commission is examining methods to improve CARE enrollment and participation, determine the most effective means of using CARE and ULTS information to increase CARE enrollment, and ensure that a ULTS customer consents prior to enrollment.

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[36] Comments of ORA on the Draft Interim Opinion, June 10, 2002, p. 2.

In D. 01-05-033, we declined to adopt automatic enrollment of ULTS customers into CARE, noting the differences in eligibility criteria among the programs: "For example, multiple customers within a household may qualify for ULTS. In contrast, under the CARE program, income from all members of the home is considered to determine eligibility."[37] We recognized the need to explore further coordination and leveraging strategies between ULTS and CARE, and directed Energy Division to schedule and facilitate meetings with energy and telephone utilities.

Through these meetings, and through written comments, parties and meeting participants have identified issues which merit further consideration prior to adopting an automatic enrollment program with ULTS in the near-term.

A recent study mandated by the Commission in D.91-07-056 estimates that 30% of ULTS participants are not eligible for ULTS. The study estimates that an additional 12% may or may not be eligible. To support its findings, the study estimates that while approximately 2.13 million households are ULTS-eligible, approximately 3.5 million customers participate in ULTS. The study notes that "self-certification may no longer be sufficient, and consideration might be given to approaches used in other states that tie ULTS qualifications to other social service benefits programs."[38]

We believe the ULTS study results and the disparities between ULTS and CARE merit further attention before including ULTS. At a minimum, we do not include ULTS in the automatic enrollment program adopted today. We defer

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[37] D.01-05-033, p. 42.

[38] Fields Research Affordability Study, Customer Survey Volume I, p.30.

further consideration of ULTS participation in the automatic enrollment program until the Commission determines the extent to which ineligible customers are enrolled in ULTS, and whether to revise the telephone utilities' self-certification and post-enrollment verification procedures.

Coordination of other types of customer outreach strategies between the ULTS and CARE programs should commence without delay. We direct the LIOB and interested parties to develop recommendations for targeted outreach to specific telephone utility service areas. We will leave it to the LIOB to hold public meetings on this issue, and to report their recommendations within 120 days from the effective date of this decision in the form of a report to the Commission. Comments are due 30 days thereafter. LIOB's report should summarize the positions of parties and participants in the public meetings, present the pros and cons of options considered and discuss the rationale for LIOB's recommendations.

7. Program Planning For 2002 and Beyond

The parties to this proceeding are unanimous in their support of continuing rapid deployment efforts through PY2002.[39] We concur. Rapid deployment has successfully ramped up during 2001, consistent with our objectives. As of February 2002, PG&E, SCE, SoCal and SDG&E have collectively added approximately 420,000 new customers to the CARE program on a net basis since the inception of rapid deployment in May 2001. (See Attachment 2.) Under the LIEE program, these utilities have collectively weatherized 50,440

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[39] See PHC statements and RT dated February 8, 2002; Assigned Commissioner's Ruling dated February 27, 2002.

homes during 2001. The utilities report that, conservatively, an additional 50,000 homes were treated with additional energy efficiency measures in 2001.[40]

We believe it is reasonable to build on this momentum during 2002 rather than disrupting this progress by making major program modifications. In the meantime, we need to examine the ratemaking implications of continuing with CARE rapid deployment though 2002 in a separate, ratemaking proceeding.

During the February 8, 2002 PHC, ORA raised the issue of whether the utilities will have sufficient LIEE funding to cover rapid deployment costs during PY2002. The utilities have responded in the affirmative. A summary of their estimates of available LIEE program funding is presented below:

[40] See Table 1. The number of total homes treated by weatherization or other energy efficiency measures (appliances, compact fluorescent lights, etc.) is conservatively estimated at 101,563. This figure divides SCE's number of treated homes by three to take account of the potential double counting described in the footnote to Table 1. Total homes weatherized during 2001 is 50,440, leaving a balance of 51,123 that were treated with non-weatherization measures.

Funding Availability--PY2002 LIEE
(in millions of dollars)

	PGC "Base" Funds Currently in Rates	Carryover and SBX1 5 Funds	Total
PG&E	$29	$33	$62
SDG&E	$5	$9	$14
SCE	$7	$9	$16
SoCal	$19	$15	$34

These funds were authorized by the Commission in D.01-05-033. Accordingly, we do not need to modify current funding levels or further address ratemaking issues in order to continue LIEE rapid deployment through December 31, 2002.

In contrast, the utilities project that CARE program costs during PY2002 will greatly exceed the amounts currently authorized in rates and remaining from SBX1 5 appropriations, assuming the continuation of rapid deployment. Actual CARE costs are increasing relative to collections for a combination of reasons, including: (1) the increase in number of eligible participants due to the change in eligibility requirements in 2001, (2) increase from 15% to 20% to the CARE rate discount in 2001 and (3) increased outreach efforts implemented under rapid deployment.[41] PG&E projects that its CARE outreach expenditures for 2002 will exceed authorized administrative costs by approximately $4.5 million, and that shortfalls in CARE rate subsidy costs will range from $49 to

[41] By D.01-06-010, the Commission increased the CARE discount from 15% to 20% and raised the income eligibility thresholds for CARE and LIEE from 150% to 175% of the federal poverty guidelines.

$121 million, depending on the ratemaking treatment of the CARE surcharge exemptions.[42] SCE projects a range of $33.6 to $111.4 million in budget shortfalls for CARE rate subsidies, depending on the ratemaking treatment for the CARE surcharge exemptions. SDG&E and SoCal also project significant shortfalls between estimated program costs and collections, albeit of lesser magnitudes than PG&E and SCE.[43]

Therefore, implementation of our policy to continue CARE rapid deployment efforts through 2002, which incorporates the automatic enrollment program we adopt today, needs to be further examined in a ratemaking proceeding. By ruling dated March 29, 2002, the Assigned Commissioner directed the utilities to submit ratemaking applications with proposals for CARE administrative activities and budgets for 2002, along with estimated rate subsidy costs and their proposed ratemaking treatment of anticipated shortfalls. The applications (A.02-04-031 et al.) were filed on April 18, 2002. We will consider them in a subsequent Commission decision.

Finally, as discussed in the Assigned Commissioner's ruling, dated February 27, 2002, we have initiated a planning process to consider program design improvements for PY2003. Per that ruling, PG&E, SCE, SDG&E and

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[42] The $121 million reflects PG&E's assumption that the exemption of CARE program participants from the 1-cent and 3-cent 2001 electric rate increases will be recovered through the CARE PGC collections. The $49 million assumes that only the CARE discount from rates that do not include those increases would be so recovered. The Commission will address this ratemaking issue as part of the separate CARE applications. See PG&E's March 14, 2002 response to request for information and their March 26, 2002 supplemental response in this proceeding.

[43] See SCE, SDG&E and SoCal's March 14, 2002 response to request for information and SCE's March 26, 2002 supplemental response in this proceeding.

SoCal will be filing applications for their PY2003 LIEE and CARE programs and proposed funding levels on July 1, 2002. As part of the review of these applications, we may need to reassess program budgets and funding levels, particularly for CARE outreach efforts, in light of the CARE penetration goals and automatic enrollment program we adopt today.

8. Need for Expedited Consideration

Rule 77.7(f)(9) of the Commission's Rules of Practice and Procedure provides in relevant part that:

> "...the Commission may reduce or waive the period for public comment under this rule...for a decision where the Commission determines, on the motion of the party or on its own motion, that public necessity requires reduction or waiver of the 30-day period for public review and comment. For purposes of this subsection, "public necessity" refers to circumstances in which the public interest in the Commission adopting a decision before expiration of the 30-day review and comment period clearly outweighs the public interest in having the full 30-day period for review and comment. "Public necessity" includes, without limitation, circumstances where failure to adopt a decision before expiration of the 30-day review and comment period...would cause significant harm to public health or welfare. When acting pursuant to this subsection, the Commission will provide such reduced period for public review and comment as is consistent with the public necessity requiring reduction or waiver."

We balance the public interest in quickly addressing these low-income assistance matters against the public interest in having a full 30-day comment cycle on the decision draft. We conclude that the former outweighs the latter. A reduced period for review and comment balances the need for parties' input with the need for timely action. Comments were filed by AARP, PG&E, SCE, SDG&E / SoCal, ORA, Roseville Telephone Company (Roseville) and by a group of small local exchange companies on June 10, 2002.[44] Reply comments were filed by AARP, SCE, SDG&E/SoCal and Greenlining Institute/Latino Issues Forum and the LIOB on June 17, 2002.

In response to these comments, we make minor corrections and clarifications to the decision language, but do not substantively change the draft decision. We note that Roseville and the small local exchange companies primarily comment on issues that we have referred to the ULTS proceeding, R.98-09-005, such as eligibility verification. We encourage these parties to participate actively in that proceeding to make their views known.

In its comments, SCE states that it "believes the intent of the Draft Opinion also applies the categorical eligibility concept to the utilities Low Income Energy Efficiency (LIEE) programs." [45] SCE is mistaken. In effect, SCE is proposing that we eliminate our current requirements that LIEE utility contractors obtain and retain income documentation before enrolling customers into that program. We established that requirement in D.01-03-028 after careful consideration of various viewpoints and concerns. [46] We have also expressed reservations about automatic enrollment of CARE eligible customers into LIEE because of the significant differences in income documentation requirements for these two programs.[47] Nothing in today's decision is intended to extend automatic

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[44] Calaveras, Cal-Ore, Ducor, Evans, Foresthill, Happy Valley, Hornitos, Kerman, Pinnacles, Ponderosa, Sierra, Siskiyou, Volcano and Winterhaven Telephone Companies filed joint comments.

[45] SCE Comments on Draft Interim Opinion, June 10, 2002, p. 8.

[46] See D.01-03-028, pp. 12-15.

[47] See D.01-05-033, p. 43, footnote 36.

enrollment to the LIEE program or modify our prior orders regarding income documentation for LIEE. Once we have gained experience with automatic enrollment on the CARE side, we may consider SCE's proposal in a subsequent program planning cycle, where we can revisit the issues and concerns that are specific to categorical eligibility in LIEE. In the mean time, as SDG&E/SoCal points out in its comments, the customers enrolled in CARE as a result of automatic enrollment may serve as an excellent source of leads for the LIEE program.

Finally, we note that several parties and the LIOB identify issues that may need to be addressed in greater detail as we proceed with program implementation, such as how to identify for recertification purposes those customers who no longer participate in the partner programs through which they became automatically eligible for CARE. As discussed in today's decision, the Assigned Commissioner will identify further implementation tasks for the program, with a reasonable timetable for resolving the most critical path issues first.

Findings of Fact

1. During 2001, the rapid deployment efforts of SDG&E, SCE, PG&E and SoCal resulted in approximately 420,000 new customers being enrolled in the CARE program, net of decreases in enrollment due to customers moving out of the service area or failing to recertify.

2. Rapid deployment during 2001 increased the number of homes weatherized under the LIEE program in PG&E, SDG&E, SCE and SoCal's service territories by more than 50,000, and at least another 50,000 were provided other energy efficiency measures during the year, such as efficient refrigerators, air conditioners or compact fluorescent lights.

3. The penetration rates regularly calculated by the telecommunications utilities (e.g., Verizon and Pacific Bell) measure the number of households that have basic phone service, rather than the penetration rate for the ULTS program. Data presented during workshops indicates that the penetration rate for the ULTS program (i.e., the number of program participants relative to the number that are eligible) is approximately 70%.

4. As discussed in this decision, SCE, SDG&E, PG&E and SoCal's methodology for calculating penetration rates would be improved by completing certain sensitivity tests currently underway, and by updating the 1990 Census data on household size and income relationships with the 2000 Census data when it becomes available in fall, 2002. Introducing additional methodological refinements at this time could divert limited resources from this updating task. Some of the refinements proposed by the utilities during workshops overlap with the recommendations presented in the Phase 1 report of the Needs Assessment Study, which are currently under consideration by the Commission.

5. Avista utilizes a simplified method of applying Census information may overestimate its eligible CARE population.

6. Southwest Gas utilizes a method of estimating CARE eligible population that cross-checks independent survey information against current Census data.

7. The calculation and reporting of ULTS penetration rates by the telecommunications utilities could be improved in several ways, as discussed in Energy Division's workshop report. These improvements should be considered in the ULTS proceeding, R. 98-09-005.

8. Over one million low-income customers are eligible for, but do not participate in, the CARE program.

9. The utilities' proposed penetration rates do not acknowledge that the fundamental goal of the program should be to reach 100% of low-income customers that are eligible for, and desire to participate in, the CARE program.

10. Utilities will not reach this goal at the same pace, given differences in demographic characteristics and the magnitude of the eligible low-income population within each service territory, as well as differences in where each utility stands today with respect to program penetration.

11. The law of diminishing returns applies to CARE outreach efforts over time, i.e., it becomes increasingly difficult to enroll additional customers, the closer the utility moves towards achieving 100% participation.

12. The utilities shall include in their 2003 CARE program plans (due July 1, 2002) a proposed scope of study for evaluating the results of automatic enrollment, and associated budget.

13. The CARE penetration benchmarks adopted today may need to be revisited in future program planning cycles based on further experience with CARE outreach efforts, including automatic enrollment. They may also need to be revised when the results of the Low Income Needs Assessment Study currently underway are available.

14. Achieving the 100% penetration rate goal described in this decision is estimated to increase CARE rate subsidy and administrative costs by approximately $182.8 million per year. These increases in subsidy costs are unavoidable if we are to meet the needs of low-income customers and the intent of the Legislature.

15. Achieving the 100% CARE penetration goal to enroll one million low-income households will produce estimated annual bill savings of $174.7 million, or $174.00 per year per CARE-enrolled household.

16. Automatic enrollment of low-income customers into CARE is a necessary component of a strategy to achieve the program penetration goal described in this decision.

17. Automatic enrollment has been implemented in other states, including Texas, Idaho, Oregon, New York, Vermont, Montana and Massachusetts. Under the Texas program, preliminary data indicates that 460,000 out of 623,000 households receiving public benefits from social programs were successfully identified for automatic enrollment with their energy service provider.

18. The Medi-Cal and WIC programs administered by DHS, the Healthy Families program administered by MRMIB, and the Energy Assistance Programs administered by DCSD ("partner programs") share certain characteristics that make them prime candidates for partnership in the automatic enrollment program. These are: 1) their program eligibility requirements most closely match the Commission-adopted CARE eligibility requirement of 175% of the federal poverty guidelines; 2) each agency requires proof of income prior to enrollment, and 3) these programs provide the greatest number of household records with the least amount of duplication.

19. The majority of potential CARE customers will be automatically enrolled through participation in Medi-Cal. The maximum allowable income for no-cost Medi-Cal is generally up to 133% of federal poverty guidelines. The number of clients with incomes between 133% and 250% of federal poverty guidelines is approximately 7.2%. The number between 185% and 250% is about 2.6%.

20. The number of households that are eligible for the partner programs and whose income might exceed the Commission's current income eligibility requirements for CARE is insignificant compared to the number of eligible customers with incomes within the CARE requirement.

21. As discussed in this decision, CARE eligibility requirements need to be broadened to implement the automatic enrollment program we adopt today.

22. The potential for automatic enrollment to dramatically increase CARE enrollments is evident: In 2001, approximately 5.5 million individuals, or 3.4 million households participated in Medi-Cal, WIC, Healthy Families and LIHEAP. Up to 80% of these households are served by at least one investor-owned utility.

23. Based on the experience in other states, the majority of new CARE enrollments through automatic enrollment is likely to occur during the initial two months of clearinghouse operation. Subsequent annual automatic enrollment is expected to decrease and level out over time.

24. The eligibility screening process performed by DHS, MRMIB, and DCSD for their programs equal or exceeds the utilities' screening process for CARE. Therefore, a two-tier recertification process is not warranted.

25. Commission administration of the automatic enrollment program, as described in this decision, is necessary to ensure confidentiality of all client information provided through the agency partnerships with DHS, MRMIB, and DCSD.

26. The monitoring and evaluation reports described in this decision are needed to track the effectiveness of the automatic enrollment program we adopt today.

27. Random verification of customers whose eligibility has been established under the partner programs could result in qualified low-income customers dropping out of the CARE program unnecessarily, and would increase administrative costs needlessly.

28. A bill insert is the most logical method to provide all utility customers with advance information about the Commission's automatic enrollment program.

29. Combined utility and Commission start-up costs for administration of clearinghouse activities are an estimated $990,000.00.

30. The phone utilities do not currently conduct any post-enrollment verification of customer eligibility under the ULTS program. A recent study mandated by the Commission indicates that 30% of ULTS participants are not eligible for the program, and an additional 12% may or may not be eligible.

31. Based on the estimates presented in this proceeding, PG&E, SCE, SDG&E and SoCal will have sufficient LIEE funding from PGC collections, carryovers and one-time SBX1 5 funds to cover rapid deployment costs during PY2002.

32. PG&E, SCE, SDG&E and SoCal project significant shortfalls in funding from current rates and SBX1 5 one-time appropriations to cover CARE rapid deployment costs through 2002.

Conclusions of Law

1. The rapid deployment programs adopted for SCE, SDG&E, SDG&E and SoCal in D.01-05-033 should continue until further Commission order. As discussed in this decision, the ratemaking implications of continuing rapid deployment of CARE during 2002 needs to be addressed in a separate ratemaking proceeding.

2. The penetration rate methodologies used by the energy utilities are reasonable, subject to the modifications described in this decision.

3. The penetration rate benchmarks adopted today are reasonable and should be adopted. They acknowledge the differences among utilities, and at the same

time reflect our commitment to move at a meaningful pace towards 100% CARE penetration.

4. The automatic enrollment program described in this decision is reasonable and should be adopted. With the implementation of automatic enrollment, low-income customers should be eligible to participate in CARE under the current CARE income/household size guidelines *or* if the household participates in Medi-Cal, Healthy Families, WIC or one of the three energy assistance programs administered by DCSD.

5. For the reasons discussed in this decision, the utilities should exclude automatic enrollment customers from their random post-enrollment verification process.

6. Partnering with the ULTS program under automatic enrollment should be deferred until the Commission determines the extent to which ineligible customers are enrolled in ULTS, and whether to revise the telephone utilities' self-certification and post-enrollment verification procedures. As discussed in this decision, coordination of other types of customer outreach strategies between ULTS and CARE programs should proceed without delay.

7. The Commission clearinghouse costs under automatic enrollment should be allocated in proportion to each utility's estimated eligible unenrolled CARE population**.** The utilities should track all other costs associated with the program (e.g., subsidy costs and utility administrative costs) in a memorandum account or in their CARE balancing account, as appropriate, pending Commission action on A.02-04-031 et al.

8. In order to move forward with automatic enrollment as expeditiously as possible, this order should be effective today.

9. The period for public review and comment on the draft decision should be reduced, pursuant to Rule 77.7(f)(9).

O R D E R

IT IS ORDERED that:

1. The method currently used by Southwest Gas Company (Southwest) to estimate California Alternate Rates For Energy (CARE) penetration rates, as described in its February 1, 2002 pre-workshop comments in this proceeding, is approved without modification.

2. As discussed in this decision, Energy Division shall ensure that the CARE Needs Assessment Study is designed to obtain income and household size data specific to Avista Utilities' (Avista) service territory for the purpose of estimating the number of CARE eligible homes. This data shall be used to update Avista's penetration rates and to evaluate Avista's achievement of the CARE penetration benchmarks set forth in this decision.

3. Energy Division shall work with Avista and Southwest Gas to develop a consistent format for reporting CARE penetration on an annual basis. Avista and Southwest Gas shall submit this information in the annual CARE reports required by Decision (D.) 89-07-062.

4. Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), San Diego Gas & Electric Company (SDG&E) and Southern California Gas Company (SoCal), collectively referred to as "the utilities", shall make the following improvements to the methodology adopted in D.01-03-028 for calculating CARE penetration rates:

a. Complete sensitivity tests on smoothing techniques, variations in small area weighting methods and an analysis of whether differences between program and Census definitions of household income influence eligibility estimates significantly.

b. Order and utilize the special tabulations of 2000 Census data when they are available in Fall, 2002 to update CARE penetration rates.

The utilities shall jointly file report on the results of the tests/analyses required under (a) above, and any proposed refinements to methodology, no later than November 1, 2002. They shall file updated penetration rates for the second quarter of 2003, using the 2000 Census data required under (b) above on August 1, 2003 per our reporting requirements manual.

5. The goal of the Commission is to reach 100% of low-income customers that are eligible for, and desire to participate in, the CARE program. To this end, we establish the following minimum benchmarks for program penetration, by utility:

	PG&E	**SCE**	**SDG&E**	**SoCal**	**Avista**	**Southwest**
2002	63%	88%	75.0%	70.0%	50.0%	89.0%
2003	74%	90%	78.0%	76.0%	60.0%	90.0%
2004	83%	91%	82.0%	81.0%	70.0%	92.0%
2005	84%	92%	85.0%	85.0%	80.0%	94.0%

6. The automatic enrollment program for CARE described in this decision is adopted. Under this program, customers of PG&E, SCE, SDG&E and SoCal shall be enrolled into CARE when they participate in any of the following programs:

a. Medi-Cal, administered by the California Department of Health Services (DHS);

b. Healthy Families, administered by Managed Risk Medical Insurance Board (MRMIB);

c. Woman, Infants and Children administered by DHS, and

d. Energy Assistance Programs administered by the Department of Community Services and Development (DCSD).

With the implementation of automatic enrollment, low-income customers shall be eligible to participate in CARE if they meet the current CARE income / household size criteria *or* if the household participates in any one of the programs listed above.

7. The Executive Director shall begin immediate efforts to obtain automatic enrollment partnership agreements with DHS, MRMIB, and DCSD. As soon as practicable after these interagency agreements are finalized, the Assigned Commissioner will issue a ruling outlining additional implementation tasks and the schedule for completing these tasks.

8. The Commission shall serve as the clearinghouse to identify electronic matches between partner agency and utility customer records, as described in this decision. Beginning 90 days from the effective date of this decision, the utilities shall submit the names and addresses of customers currently not receiving CARE to the Commission on a monthly basis. The frequency of these data submissions may be modified by the Assigned Commissioner, as appropriate. These submissions should not include the names of customers who are not eligible for CARE by reason of their rate class. Energy Division shall conduct meetings with these utilities to develop data transfer and matching protocols.

9. The utilities shall track customers who are automatically enrolled in CARE under the program and report on the number of customers successfully matched, enrolled and recertified. As discussed in this decision, the utilities shall also submit expenditure information on automatic enrollment. The utilities shall work with Energy Division in developing an appropriate format for reporting this information, and shall include it in the monthly rapid deployment reports until further notice by the Commission or Assigned Commissioner.

10. The utilities shall file annual status reports on automatic enrollment until further notice by the Commission or Assigned Commissioner. The Energy Division shall work with the utilities to develop the format, content and filing dates for these reports. The utilities shall include in their 2003 CARE program plans (due July 1, 2002), a scope of study for evaluating the results of the first 12 months of the automatic enrollment program, and an associated budget.

11. The utilities shall provide utility customers with advance information about the Commission's automatic enrollment program via a bill insert, as described in this decision. The utilities shall begin immediately to work with the Energy Division in developing the appropriate text and be prepared to include the insert in bills upon approval. We delegate to the Assigned Commissioner the review and approval of the bill insert text. Within 30 days from the date of this decision, the Assigned Commissioner shall issue a ruling setting forth the approved text.

12. The Assigned Commissioner shall prioritize and clarify by ruling any additional implementation issues that may need to be addressed over time as the Commission gains experience with CARE automatic enrollment.

13. The costs of the Commission clearinghouse function shall be reimbursed by PG&E, SCE, SDG&E and SoCal in proportion to each utility's estimated eligible, unenrolled CARE population, as follows:

SCE:	9%
PG&E:	47%
SDG&E:	7%
SoCal:	37%

14. Pending Commission action on Applications (A.) 02-04-031 et al., the utilities shall track all costs related to automatic enrollment in a memorandum

account or in an existing CARE balancing account, as appropriate. These include the 20% CARE rate subsidy costs, utility administrative costs (e.g., mailing a bill insert, handling customer inquiries resulting from the mailing, and data identification and transfer functions) and the Commission's clearinghouse costs.

15. As discussed in this decision, the Low Income Oversight Board (LIOB) shall hold public meetings for targeted outreach to specific telephone utility service areas for the purpose of coordinating customer outreach between CARE and Universal Lifeline Telephone Service (ULTS). LIOB shall report its recommendations within 120 days from the effective date of this decision in the form of a report to the Commission. Comments are due 30 days thereafter. LIOB's report shall summarize the positions of parties and participants in the public meetings, present the pros and cons of options considered, and discuss the rationale for LIOB's recommendations.

16. Energy Division's recommendations for improvement to ULTS penetration rate calculations and eligibility verification, as presented in the April 2, 2002 Workshop Report on CARE and ULTS Penetration Rates, shall be considered in the ULTS proceeding, R.98-09-005.

17. The Assigned Commissioner may, for good cause, modify the due dates set forth in this decision.

18. All reports and other submittals required by this decision shall be filed at the Commission's Docket Office and served electronically on all appearances and the state service list in this proceeding. U.S. mail service of the comments is optional, except that one hard copy of each document shall be mailed to Judge Meg Gottstein at the State Office Building, Room 5044, 505 Van Ness Avenue, San Francisco, California, 94102. In addition, if there is no electronic mail address available, the electronic mail is returned to the sender, or the recipient

informs the sender of an inability to open the document, the sender shall immediately arrange for alternate service (regular U.S. mail shall be the default, unless another means—such as overnight delivery—is mutually agreed upon.) Current service lists for this proceeding are available on the Commission's web page, www.cpuc.ca.gov.

This order is effective today.

Dated ____________________________, at San Francisco, California.